



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
**DEPARTMENT OF REVENUE**

State of Rhode Island Monthly Revenue Brief  
FY 2010 Cash Collections through October 2009

The Rhode Island Department of Revenue monthly revenue brief is a comprehensive analysis of fiscal year-to-date cash collections on all revenue sources estimated by the principals of the Revenue Estimating Conference (see RI General Law § 35-16-1). *Users of the report should be cautious when comparing year-to-date growth rates to the growth estimate for Other Miscellaneous Revenues and Unclaimed Property as the receipt of these revenues occurs at discrete points in time over the course of a fiscal year. Further complicating matters is the fact that the discrete pattern of receipts varies so that payments received do not necessarily occur at the same point in time in each fiscal year.*

**Total General Revenues**

Annual Growth Rates	<u>Preliminary Growth Estimate</u> 1.8 %	<u>Actual YTD Growth</u> 0.7 %	<u>Base YTD Growth</u> -6.0 %
Annual Dollar Values	<u>Enacted Revenue Estimate</u> \$3.088 Billion		<u>Actual YTD Cash</u> \$963.5 Million

Fiscal Year 2010 total general revenues collected through October 2009 have increased by 0.7 percent as compared to Fiscal Year 2009 total general revenues collected through October of last year. For the fiscal year-to-date period through October 2009, total general revenues were \$963.5 million as compared to \$956.6 million for the same period last year, an increase of \$7.0 million. The FY 2010 preliminary growth estimate is 1.8 percent in total enacted FY 2010 general revenues over preliminary audited FY 2009 collections.

It is necessary to make adjustments to the cash collections for these two fiscal years in order to determine the base year-over-year fiscal year-to-date growth in collections. In FY 2009 through October, a net total of -\$66.7 million of adjustment must be made. These adjustments include an increase of \$2.7 million to personal income taxes, \$30,000 to business corporations taxes, and \$3.0 million to financial institutions taxes to reflect the redemption of Historic Structures Tax Credits that were not reimbursed until June 2009; an increase of \$1.7 million to motor vehicle licenses and fees to account for the late posting of interstate trucking payments that are made to the forty-nine other states and Canada; a decrease of \$70.3 million in departmental receipts

attributable to the receipt in July 2008 of the FY 2008 hospital licensing fee; a decrease of \$987,863 in FY 2008 child support enforcement collections that were posted in August 2008; a decrease of \$5.1 million to account for non-operating transfers that occurred in October but normally are not executed until June; and an increase of \$2.4 million in the lottery transfer to account for the 24-hours-per-day / three-days-per-week (24/3) operation of Twin River the state's share of which was deposited into the Permanent School Fund in FY 2009.

In FY 2010 through September, a net total of -\$127.7 million of adjustments must be made. These adjustments include a decrease of \$1.3 million in the health care provider assessments to reflect the fact that the group home portion of this assessment has been repealed effective July 1, 2009. The receipts received in the first four months of FY 2009 are for services rendered in May and June of 2009 and will be accrued back to FY 2009. Also included, are an increase of \$1.6 million in motor vehicle licenses and fees to account for the late posting of interstate trucking payments that are made to the forty-nine other states and Canada. In addition, the adjustment includes a decrease of \$127.6 million in departmental receipts of which \$121.5 million is the receipt in July 2009 of the FY 2009 hospital licensing fee and \$6.1 million is the posting in July 2009 of the FY 2009 Eleanor Slater Hospital's disproportionate share revenue when it should have been posted in June 2009. Further, the net adjustment includes a decrease of \$339,473 in the gas tax transfer due to the repeal of the dedication of \$0.01 per gallon of the state's \$0.32 per gallon gas tax for general purposes.

The necessary adjustments that need to be made are displayed in the table below:

<b>Revenue Source</b>	<b>Adjustment</b>	<b>Year-to-Date FY 2009</b>	<b>Year-to-Date FY 2010</b>
Personal Income	Reimbursed Historic Tax Credits taken	\$2,714,339	\$0
Business Corporations	Reimbursed Historic Tax Credits taken	\$30,000	\$0
Financial Institutions	Reimbursed Historic Tax Credits taken	\$2,987,384	\$0
Health Care Provider	Deduct receipts that accrue to FY 2009	\$0	\$(1,295,461)
Motor Vehicle	Interstate trucking payments made	\$1,661,969	\$1,588,398
Licenses & Fees	Hospital Licensing Fee	\$(70,341,787)	\$(121,542,759)
Sales & Services	Disproportionate Share payment	\$0	\$(6,097,078)
Misc. Departmental	Child Support Enforcement collections	\$(987,863)	\$0
Gas Tax Transfer	Deduct receipts that accrue to FY 2009	\$0	\$(339,473)
Other Miscellaneous	Early receipt of non-operating transfers	\$(5,100,000)	\$0
Lottery Transfer	Adjustment for 24/3 Casino Operation	\$2,377,923	\$0
<b>Total</b>		<b>\$(66,657,975)</b>	<b>\$(127,686,373)</b>

Accounting for these revenue adjustments yields a base rate of growth for the fiscal year-to-date period through October 2009 of -6.0 percent. It should be noted that the base year-to-date growth rate is not necessarily indicative of projected annual growth.

### **Taxes and Departmental Receipts**

Annual Growth Rates	<u>Preliminary Growth Estimate</u> 2.2 %	<u>Actual YTD Growth</u> 1.5 %	<u>Base YTD Growth</u> -6.3 %
Annual Dollar Values	<u>Enacted Revenue Estimate</u> \$2.714 Billion	<u>Actual YTD Cash</u> \$876.1 Million	

The Rhode Island Department of Revenue reports that FY 2010 taxes and departmental receipts collected through October 2009 have increased by 1.5 percent as compared to FY 2009 cash collections for the comparable period a year ago. For the fiscal year-to-date period ending October 2009, total taxes and departmental receipts cash collections were \$876.1 million as compared to \$862.9 million for the same period last fiscal year, an increase of \$13.2 million. The FY 2010 preliminary growth estimate projects an increase of 2.2 percent in total taxes and departmental receipts over preliminary audited FY 2009 collections.

The historic structures tax credit reimbursement to personal income, business corporations, and financial institutions taxes, the motor vehicle licenses and fees' late interstate trucking payments, the hospital licensing fee, and the child support enforcement late posting result in a -\$71.4 million adjustment in FY 2009 for comparability between fiscal years. The group home health care provider assessment receipt accrual, the motor vehicle licenses and fees' late interstate trucking payments, the hospital licensing fee; and the late posting of the Slater hospital disproportionate share revenue result in a -\$127.6 million adjustment in FY 2010 for comparability between fiscal years. These adjustments yield a FY 2010 base growth rate in taxes and departmental receipts of -6.3 percent.

### **Other General Revenue Sources**

Annual Growth Rates	<u>Preliminary Growth Estimate</u> -1.3 %	<u>Actual YTD Growth</u> -6.7 %	<u>Base YTD Growth</u> -4.3 %
Annual Dollar Values	<u>Enacted Revenue Estimate</u> \$362.7 Million	<u>Actual YTD Cash</u> \$87.4 Million	

FY 2010 other general revenue sources collected through the first four months of the fiscal year have decreased by 6.7 percent as compared to cash collections through the first four months of FY 2009. Other general revenue sources include the gas tax transfer to the general fund, other miscellaneous revenues, the lottery transfer to the general fund, and unclaimed property that is transferred to the State in June of each fiscal year. The FY 2010 preliminary growth estimate for other general revenue sources projects a decrease of 1.3 percent in other general revenue sources over preliminary audited FY 2009 collections. For the fiscal year-to-date period ending October

2009, total other general revenue sources were \$87.4 million as compared to \$93.7 million for the same period last year, a decrease of \$6.3 million.

The \$339,473 receipt accrual for the gas tax transfer in FY 2010 is a negative adjustment as is the \$5.1 million non-operating transfers received in October vs. June in FY 2009. In FY 2009 a positive adjustment of \$2.4 million for the 24/3 operation of Twin River that was put into the Permanent School Fund in FY 2009 yields a base year-to-date growth rate of -4.3 percent.

### **Total Taxes**

Annual Growth Rates	<u>Preliminary Growth Estimate</u> 1.8 %	<u>Actual YTD Growth</u> -5.9 %	<u>Base YTD Growth</u> -6.8 %
Annual Dollar Values	<u>Enacted Revenue Estimate</u> \$2.379 Billion	<u>Actual YTD Cash</u> \$690.6 Million	

Total tax revenue cash collections for the fiscal year-to-date period through October 2009 were \$690.6 million, or -5.9 percent less than the \$734.2 million in total tax cash collections in FY 2009 through October 2008. The FY 2010 preliminary growth estimate for tax collections is 1.8 percent for enacted FY 2010 tax collections over preliminary audited FY 2009 tax collections.

In FY 2009, historic structures tax credits worth \$1.7 million, \$30,000 and \$3.0 million were redeemed against personal income, business corporations and financial institutions taxes respectively during the first four months of the fiscal year and motor vehicle license and fee revenues were underreported by \$1.7 million due to the late payment of FY 2008 interstate trucking fees. In FY 2010, the first quarter receipt accrual for the health care provider assessment on group homes reduces cash receipts by \$1.3 million and motor vehicle license and fee revenues were underreported by \$1.6 million due to the late payment of FY 2009 interstate trucking fees. These adjustments yield a base growth rate of -6.8 percent in total taxes for FY 2010.

### **Personal Income Taxes**

Annual Growth Rates	<u>Preliminary Growth Estimate</u> 2.4 %	<u>Actual YTD Growth</u> -4.5 %	<u>Base YTD Growth</u> -5.2 %
Annual Dollar Values	<u>Enacted Revenue Estimate</u> \$963.2 Million	<u>Actual YTD Cash</u> \$307.8 Million	

Actual personal income tax cash collections for FY 2010 through the first four months of the fiscal year were down \$14.3 million, or -4.5 percent, compared to the same period last fiscal year. The FY 2010 year-to-date growth rate lags behind the enacted FY 2010 over preliminary audited FY 2009 growth rate of 2.4 percent in personal income tax collections. Total personal income tax cash collections for FY 2010 through October 2009 were \$307.8 million vs. FY 2009 cash collections of \$322.2 million through October 2008.

The FY 2009 year-to-date cash collections in personal income, business corporations, and financial institutions taxes need to be adjusted upward by the amount of historic tax credits that were redeemed in July through October of 2008 but not reimbursed until June 2009 so that comparisons can be made between fiscal years. It is important to note that any historic structures tax credits that are redeemed in FY 2010 are reimbursed from the Historic Tax Credit Fund's bond proceeds upon receipt of the tax credit certificate. To date, in FY 2010, \$8.9 million of redeemed historic structures tax credits have been reimbursed from the fund. Adding back the \$5.7 million of redeemed historic structures tax credits to FY 2009 year-to-date cash collections yields a base fiscal year-to-date growth rate of -5.2 percent.

The table below is provided by the Division of Taxation, and breaks down personal income tax cash collections by component for FY 2009 and FY 2010 through October. It should be noted that slight differences may exist between the figures reported by the Division of Taxation and those reported by the Controller due to timing differences in the posting of revenues.

Component	FY 2009	FY 2010	Percent Difference	Preliminary Growth Estimate
Estimated Payments	\$ 53,542,770	\$ 43,167,774	-19.4 %	15.0 %
Final Payments*	20,595,952	30,253,450	46.9 %	-2.5 %
Withholding	278,134,840	265,958,944	-4.4 %	-1.7 %
Refunds/Adjustments	(27,395,301)	(31,545,932)	15.2 %	-5.4 %
* \$2.7 million of redeemed Historic Structures Tax Credits have been added to FY 2009 actual cash collections				

FY 2010 year-to-date income tax refunds paid were more by \$4.2 million or 15.2 percent, compared to the same period in FY 2009. The 15.2 percent actual growth in cash income tax refunds paid between FY 2010 and FY 2009 is greater than the preliminary growth rate for income tax refunds paid of -5.4 percent. On average over the last five fiscal years only 9.6 percent of total income tax refunds are paid by the end of October.

Income tax withholding payments have decreased by \$12.2 million or -4.4 percent, through the first four months of FY 2010 when compared to the same period in FY 2009. The -4.4 percent actual growth in cash withholding payments between FY 2010 and FY 2009 is above the preliminary growth estimate for income tax withholding payments of -1.7 percent. On average, over the past five fiscal years, 30.5 percent of total income tax withholding payments were collected in the first four months of the fiscal year.

Fiscal year-to-date FY 2010 final income tax payments received have increased over the prior year even after including the \$2.7 million of FY 2009 historic structures tax credit redemptions that were not reimbursed until June 2009. The FY 2010 final income tax payments cash amount includes \$5.8 million of historic tax credit redemptions that have been reimbursed thus far this fiscal year. (For simplicity, it is assumed that all personal income tax historic structures tax credits are taken against final payments). Fiscal year-to-date final income tax payments are up

\$9.7 million or 46.9 percent, through October of FY 2010 as compared to final payments for the first four months of FY 2009. The 46.9 percent actual growth in cash final income tax payments received between FY 2010 and FY 2009 exceeds the preliminary growth rate for final income tax payments received of -2.5 percent. On average, over the last five fiscal years 10.2 percent of total final income tax payments are received in the first four months of the fiscal year.

Finally, with respect to estimated income tax payments, year-to-date FY 2010 cash collections were down \$10.4 million from FY 2009 cash collections at this time last year. This decrease translates into a fiscal year-to-date growth rate of -19.4 percent. The -19.4 percent actual growth in cash estimated income tax payments received between FY 2009 and FY 2010 lags the enacted growth rate for estimated income tax payments received of 15.0 percent. On average, over the last five fiscal years 26.6 percent of total estimated income tax payments are made by the end of October.

### **Sales and Use Taxes**

Annual Growth Rates	<u>Preliminary Growth Estimate</u> 0.9 %	<u>Actual YTD Growth</u> -6.9 %	<u>Base YTD Growth</u> -6.9 %
Annual Dollar Values	<u>Enacted Revenue Estimate</u> \$815.0 Million	<u>Actual YTD Cash</u> \$282.6 Million	

Sales and use tax cash collections in FY 2010 were down \$20.9 million, or -6.9 percent, relative to last fiscal year at this time. As always, the monthly sales tax receipts reported here reflect the prior month's sales activity. For both FY 2009 and FY 2010, the state's sales tax rate is 7.0 percent. The -6.9 percent growth in sales and use tax revenues for fiscal year-to-date 2010 is lower than the enacted FY 2010 over the preliminary audited FY 2009 sales and use tax cash collections growth estimate of 0.9 percent.

The Division of Taxation provides the following component breakdown for sales and use tax collections through October:

Component	FY 2009	FY 2010	Nominal Difference	Percent Difference
Net Taxation	\$ 270,836,139	\$ 248,787,225	\$ (22,048,914)	-8.1 %
Registry	27,508,512	29,789,473	2,280,961	8.3 %
PPM	4,337,627	4,076,946	(260,680)	-6.0 %

Within the sales tax components, registry receipts were up 8.3 percent in the first four months of FY 2010 when compared to same period last fiscal year. This increase is likely attributable to the federal "Cash for Clunkers" incentive program that was in place in late July and early August of 2009. Net sales tax receipts remitted directly to the Division of Taxation posted a decrease of 8.1 percent during FY 2010's first four months versus the first four months of FY 2009.

Providence Place Mall (PPM) sales tax receipts were down 6.0 percent through October of FY 2010 versus the same period in FY 2009.

### **General Business Taxes**

Annual Growth Rates	<u>Preliminary Growth Estimate</u> -2.3 %	<u>Actual YTD Growth</u> -35.0 %	<u>Base YTD Growth</u> -43.6 %
Annual Dollar Values	<u>Enacted Revenue Estimate</u> \$351.5 Million	<u>Actual YTD Cash</u> \$22.7 Million	

In general, businesses with Rhode Island tax liabilities make estimated payments of their tax year liabilities in March and June of the fiscal year, with 40.0 percent of the estimated total tax liability due in March and 60.0 percent of the estimated total tax liability due in June. There is one exception to this payment pattern, namely health care provider assessments, payments of which are made on a monthly basis. Business corporations, or corporate income, tax payments are also received more consistently over the course of the fiscal year due to the number of filers that are on extension at any given point in time. As a result, both business corporations taxes and health care provider assessments flow more evenly into the general fund over the course of a fiscal year.

FY 2010 total general business taxes collected in the fiscal year-to-date October 2009 period were \$22.7 million or \$12.2 million less than the \$35.0 million collected for the same period in FY 2009. Year-to-date growth in FY 2010 is -35.0 percent. The enacted FY 2010 growth over preliminary audited FY 2009 total general business taxes is -2.3 percent.

In FY 2009, historic structures tax credit redemptions of \$30,000 and \$3.0 million were taken against business corporations and financial institutions taxes. The reimbursement for these redemptions did not actually occur until June 2009. Beginning in July 2009 (i.e. FY 2010), reimbursements for the redemption of historic structures tax credits occur in the same month that the certificate is redeemed. In FY 2010, \$3.1 million of historic structures tax credits reimbursements have been received through October and are included in the FY 2010 year-to-date cash collections. For comparability between fiscal years, the historic structures tax credit redemptions for FY 2009 have been added to the actual FY 2009 cash collections.

An adjustment to FY 2010 total general business taxes cash collections is made to more accurately reflect anticipated collections. In particular, the health care provider assessment is reduced by \$1.3 million to account for the fact that the assessment on group homes for the developmentally disabled has been repealed and the receipts that have been received in July through October 2009 are accrued back to FY 2009. Including this adjustment to FY 2010 year-to-date cash collections for health care provider assessments and the historic structures tax credit redemptions to FY 2009 year-to-date cash collections for business corporations and financial institutions taxes yields a base fiscal year-to-date growth rate of -43.6 percent.

FY 2010 year-to-date business corporations taxes were down \$10.3 million or -69.3 percent, from last fiscal year at this time. It should be noted that FY 2010 year-to-date business

corporations tax cash collections include \$50,000 of reimbursed historic structures tax credit redemptions. This growth rate falls well short of the business corporations tax enacted growth estimate of 8.2 percent over preliminary final FY 2009 collections. On average, over the past five years, 13.2 percent of business corporations tax payments are made through the first four months of the fiscal year.

In FY 2009, \$30,000 of historic structures tax credit certificates were redeemed against the business corporations tax. This redemption was not reimbursed until June 2009. Adding this reimbursement to FY 2009 year-to-date business corporations cash collections yields a base year-to-date growth rate of -69.4 percent.

The Division of Taxation reports the components of the business corporations tax through October as follows:

Component	FY 2009	FY 2010	Nominal Difference	Percent Difference
Estimated Payments	\$ 13,015,736	\$ 11,220,040	\$ (1,795,696)	-13.8 %
Final Payments	11,758,429	11,712,561	(45,868)	-0.4 %
Refunds/Adjustments	(9,925,382)	(18,398,311)	(8,472,929)	85.4 %

Health care provider assessment taxes through October 2009 were \$13.5 million, a decrease of 16.3 percent over the same period in FY 2009. The enacted growth rate for health care provider assessments is -21.4 percent over preliminary audited FY 2009 receipts. Adjusting for the \$1.3 million of cash collections received in FY 2010 for services provided in FY 2009 yields a base fiscal year-to-date growth rate of -24.3 percent. On average, over the past five years, 33.4 percent of health care provider assessment nursing home tax payments are made by the end of October.

Bank deposit taxes tend to post irregularly until March, when the first 40.0 percent of estimated total tax liability is due. Bank deposit taxes of \$336,476 were received through the first four months of FY 2010 as compared to no collections through the first four months of FY 2009. On average, over the past five fiscal years, only 1.4 percent of bank deposit tax payments are collected in the first four months of the fiscal year.

The insurance companies gross premiums tax is down 189.8 percent year-to-date. FY 2010 insurance companies gross premiums tax cash collections through October 2009 total \$1.1 million and include \$2.7 million of reimbursed Historic Structures Tax Credits. In general, insurance companies gross premiums taxes tend to post irregularly until March, when the first 40.0 percent of total tax liability is due. On average, over the past five fiscal years, an insignificant percent of insurance companies gross premiums tax payments are collected in the first four months of the fiscal year.

The financial institutions tax is down 370.2 percent on a fiscal year-to-date cash basis in FY 2010 vs. FY 2009. Total financial institutions tax cash collections are -\$219,502 through October 2009. This compares to financial institutions tax cash collections of \$81,241 through October 2008. It should be noted that, in FY 2009, \$3.0 million of historic structures tax credits were redeemed in the July through October 2008 period. The reimbursement of these redemptions is not included in the FY 2009 cash collections for the financial institutions tax. On average, over the past five fiscal years, 25.2 percent of financial institutions taxes are collected in the first four months of the fiscal year.

Finally, public utilities gross earnings taxes were \$3.4 through October 2009, a decrease of 33.8 percent from collections of \$5.1 million through October 2008. The increase in FY 2009 cash collections was attributable to a \$3.3 million "Safe Harbor" payment that was made in September 2008. This pattern has developed over the past five years or so as a taxpayer makes an additional estimated payment to ensure that estimated payments for the tax year total the prior tax year's liability. These additional estimated payments have occurred in September 2008, August 2006 and September 2005 although no such additional estimated payment was made in tax year 2007. In October 2009 another safe harbor payment of \$2.1 million was received. On average, over the past five fiscal years only 0.7 percent of public utilities gross earnings taxes are collected through October of the fiscal year.

#### **Excise Taxes Other Than the Sales and Use Tax**

Annual Growth Rates	<u>Preliminary Growth Estimate</u> 10.3 %	<u>Actual YTD Growth</u> 9.6 %	<u>Base YTD Growth</u> 9.2 %
Annual Dollar Values	<u>Enacted Revenue Estimate</u> \$210.2 Million	<u>Actual YTD Cash</u> \$65.0 Million	

Excise taxes other than sales and use taxes collected in the fiscal year-to-date October 2009 period totaled \$65.0 million or \$5.7 million more than the \$59.3 million collected for the same period in FY 2009. The actual year-to-date growth rate in excise taxes other than the sales and use tax is 9.6 percent which trails the preliminary growth estimate for FY 2010 of 10.3 percent.

In FY 2010, June 2009 interstate trucking payments were made in July 2009 causing an understatement of \$1.6 million. In FY 2009, an understatement of \$1.7 million occurred in July 2008 due to the late payment for June 2008. Accounting for these late postings yields a base fiscal year-to-date growth rate of 9.2 percent for excise taxes other than the sales and use tax.

Rhode Island cigarette tax receipts are comprised of excise taxes collected on the sale of cigarettes, smokeless tobacco (which also includes cigars and pipe tobacco), and a one-time cigarette floor stock tax. The cigarette floor stock tax is imposed only when there is an increase in the excise tax on cigarettes. In April 2009, the state increased its cigarette excise stamp tax rate from \$2.46 to \$3.46 per pack of 20 cigarettes and increased its tax on other tobacco products from 40.0 percent to 80.0 percent of the wholesale price. The timing of these tax increases does not impact FY 2009 cigarettes tax revenues until April and May 2009. FY 2010 cigarettes tax

revenues, however, are impacted by the increase in these taxes but no cigarette floor stock tax revenues have been collected that are attributable to FY 2010. Total cigarette tax receipts through October of FY 2010 were up 13.6 percent compared to the same period a year ago. This compares to the preliminary growth estimate of 13.4 percent.

Finally, the change in cigarette sales is determined. In FY 2009 through October, cigarette tax revenues were \$42.7 million yielding total packs sold of 17.3 million. In FY 2010 through October, cigarette tax revenues were \$47.9 million yielding total packs sold of 13.8 million. The result of the increase in the cigarette tax is a decrease in Rhode Island cigarette sales of 20.2 percent for the first four months of FY 2010 versus the first four months of FY 2009.

This decrease is likely due to two factors. First, Massachusetts increased its cigarette excise tax to \$2.51 per pack of 20 cigarettes on July 1, 2008. This rate was higher than Rhode Island's \$2.46 excise tax per pack of 20 cigarettes that was in effect at that time. In addition, Massachusetts' minimum mark-up provision for the wholesale and retail sale of cigarettes is greater than Rhode Island's. The end result was a shift in cigarette sales from Massachusetts to Rhode Island in July through October of 2008. Second, the aforementioned increase in Rhode Island's cigarette tax on April 10, 2009 to \$3.46 per pack has likely shifted cigarette sales out of Rhode Island to other states with lower retail cigarette prices.

### **Other Taxes**

Annual Growth Rates	<u>Preliminary Growth Estimate</u> -3.6 %	<u>Actual YTD Growth</u> -12.2 %	<u>Base YTD Growth</u> -12.2 %
Annual Dollar Values	<u>Enacted Revenue Estimate</u> \$38.7 Million	<u>Actual YTD Cash</u> \$12.5 Million	

Total other taxes collected through October of FY 2010 totaled \$12.5 million versus \$14.2 million in other taxes collected during the same period last fiscal year, a decrease of \$1.7 million, or -12.2 percent. The FY 2010 other taxes preliminary growth estimate is -3.6 percent over preliminary audited FY 2009 total other taxes.

Inheritance tax collections totaled \$9.3 million through October of FY 2010, a decrease of 8.7 percent from the \$10.2 million collected through the first four months of FY 2009. Given the fact that inheritance tax collections are volatile, it is not possible to make any valid comments about this revenue source.

Racing and athletics tax collections through October of FY 2010 were down 35.5 percent relative to the same period in FY 2009. The preliminary growth estimate for racing and athletics tax collections is -14.3 percent. It should be noted that greyhound races at Twin River were stopped on August 9, 2009. This stoppage did not occur in FY 2009. On average, over the past five fiscal years, 34.8 percent of racing and athletics tax collections were collected in the first four months of the fiscal year.

Realty transfer taxes were down by 17.3 percent through October of FY 2010 versus October of FY 2009. This decrease in realty transfer taxes collected is substantial in comparison to the preliminary realty transfer tax growth estimate of 5.7 percent over preliminary audited FY 2009 collections because, on average, over the past five fiscal years, 39.7 percent of realty transfer taxes were collected in the first four months of the fiscal year.

### **Total Departmental Receipts**

Annual Growth Rates	<u>Preliminary Growth Estimate</u> 5.1 %	<u>Actual YTD Growth</u> 44.2 %	<u>Base YTD Growth</u> 3.9 %
Annual Dollar Values	<u>Enacted Revenue Estimate</u> \$335.5 Million	<u>Actual YTD Cash</u> \$185.5 Million	

FY 2010 year-to-date departmental receipts total \$185.5 million, an increase of \$56.8 million from the amount that was collected last fiscal year at this time. Actual cash departmental receipts for FY 2010 were up 44.2 percent when compared to receipts collected during the same period a year ago. The preliminary FY 2010 growth estimate is 5.1 percent over preliminary audited FY 2009 departmental receipt collections. It is important to note that, in the licenses and fees category of departmental receipts, the hospital licensing fee for FY 2009 was not due until July 2009 and the cash payment received in FY 2010 was accrued back to FY 2009.

FY 2010 year-to-date growth in the licenses and fees category of departmental receipts is 50.5 percent or \$53.4 million more than FY 2009 through October 2008. The hospital licensing fee for FY 2009 was received in July of FY 2010 and totaled \$121.5 million or \$51.2 million more than was received in July of FY 2009 for FY 2008. Year-to-date intermediate Medicaid hospital rate settlement payments were \$1.1 million lower through September 2009 over the same period in FY 2009. These payments are received irregularly throughout the fiscal year. Also, beverage container and participation fee receipts are down 20.5 percent or \$239,457 compared to this time in FY 2009. Finally, through October 2009, beach fees are up 12.9 percent, pesticide registration fees are up \$441,380, motor vehicle title fees are up \$1.1 million and driver's license reinstatement fees are up \$527,160 over receipts through this time last year. The increase in pesticide registration fees is attributable to the fact that these fees were posted late in FY 2009. The increase in motor vehicle title fees and driver's license reinstatement fees are due to the fact that the 2009 Assembly enacted fee increases for these two items in the FY 2010 budget.

Fines and penalties were up \$655,518, a 6.5 percent increase through October of FY 2010 versus October of FY 2009.

In the sales and services category of departmental receipts, FY 2010 year-to-date growth is 155.9 percent over FY 2009 cash collections of \$4.1 million through October 2008. The majority of the FY 2010 increase in sales and service revenues is a result of the late posting of Eleanor Slater Hospital's FY 2009 disproportionate share, or uncompensated care, revenue. Typically this revenue is posted in June of the relevant fiscal year but this posting did not occur until July for FY 2009. The FY 2009 uncompensated care payment to the Eleanor Slater Hospital was \$6.1

million. This late posting accounts for nearly all of the difference in the cash collections for sales and services between the two fiscal years.

Finally, miscellaneous departmental revenues were down \$1.8 million, or -20.4 percent, through October of FY 2010 versus October of FY 2009. Much of this shortfall is due to income on investments which are down \$314,352 in FY 2010 vs. FY 2009 through October and the fact that FY 2009 cash collections include \$987,863 of child support enforcement payments that were accrued back to FY 2008.

Adjusting FY 2009 total departmental receipts for the hospital licensing fee and the late posting of FY 2008 child support enforcement collections and FY 2010 total departmental receipts for the hospital licensing fee and the late posting of Slater Hospital's FY 2009 uncompensated care revenue results in a base growth rate for total departmental receipts of 3.9 percent.

### **Gas Tax Transfer**

Annual Growth Rates	<u>Preliminary Growth Estimate</u> -100.0 %	<u>Actual YTD Growth</u> -78.3 %	<u>Base YTD Growth</u> -100.0 %
Annual Dollar Values	<u>Enacted Revenue Estimate</u> \$0.0 Million	<u>Actual YTD Cash</u> \$339,473	

The Gas Tax Transfer is down 78.3 percent for FY 2010 through October when compared to FY 2009 for the same period. The enacted growth rate estimate for the gas tax transfer is -100.0 percent due to the General Assembly's passage of a FY 2010 budget article that no longer transfers \$0.01 of the state's \$0.32 per gallon motor fuel tax to the general fund. The General Assembly increased the state's motor fuel tax from \$0.30 to \$0.32 per gallon effective July 1, 2009.

The actual cash collections noted above reflect FY 2010 receipts from July 2009 that will be accrued back to FY 2009. Making this receipt accrual adjustment yields a base year-to-date growth rate of -100.0 percent.

### **Other Miscellaneous Revenues**

Annual Growth Rates	<u>Preliminary Growth Estimate</u> -49.3 %	<u>Actual YTD Growth</u> -99.2 %	<u>Base YTD Growth</u> -88.7 %
Annual Dollar Values	<u>Enacted Revenue Estimate</u> \$9.0 Million	<u>Actual YTD Cash</u> \$44,495	

Other Miscellaneous Revenues were down 99.2 percent in FY 2010 when compared to the same period one year ago. FY 2010 year-to-date collections total \$44,495 compared to \$5.5 million collected at this time last fiscal year. The preliminary FY 2010 growth estimate for other miscellaneous revenues is -49.3 percent from preliminary audited FY 2009 collections.

In FY 2009, non-operating general fund transfers of \$5.1 million were received in October from several quasi-governmental agencies. These types of transfers typically do not occur until June of the fiscal year but were made in October for cash flow purposes. Adjusting for the earlier than normal receipt of these non-operating general fund transfers in FY 2009, yields a base fiscal year-to-date growth rate of -88.7 percent.

### **Lottery Transfer**

Annual Growth Rates	<u>Preliminary Growth Estimate</u> 3.3 %	<u>Actual YTD Growth</u> 0.4 %	<u>Base YTD Growth</u> -2.2 %
Annual Dollar Values	<u>Enacted Revenue Estimate</u> \$348.7 Million	<u>Actual YTD Cash</u> \$87.0 Million	

The lottery transfers were up 0.4 percent in October FY 2010 versus October FY 2009. Year-to-date FY 2010 collections total \$87.0 million compared to \$86.6 million collected this time last year. On average, over the past five fiscal years, 25.0 percent of lottery transfers were collected in the first four months of the fiscal year.

The Division of Lottery reports the following fiscal year-to-date revenues for the individual lottery transfer components:

Transfer Component	FY 2009	FY 2010	Percent Difference	Preliminary Growth Estimate
Combined Games	\$14,581,725	\$14,519,454	-0.4 %	-0.6 %
Video Lottery Terminals	72,044,793	72,496,409	0.6 %	4.1 %

It should be noted that, in FY 2009, the State's share of the net terminal income (NTI) from the operation of video lottery terminals (VLT) on a 24-hours a day, three days a week basis (24/3) at Twin River was deposited into the Permanent School Fund. In FY 2010, the State has retained its share of this NTI and these monies have been included in the monthly lottery transfer.

As of October, \$2.4 million of NTI from 24/3 operations at Twin River had been deposited in the Permanent School Fund. Adjusting for the fact that these monies are now retained by the State as general revenue yields a base fiscal year-to-date growth for the lottery transfer of -2.2 percent. With respect to the transfer from the video lottery terminals only, adjusting for the deposit into the Permanent School Fund results in a base fiscal year-to-date growth in the VLT transfer of -2.6 percent.

**Unclaimed Property Transfer**

Annual Growth Rates	<u>Final Growth Estimate</u> -39.0 %	<u>Actual YTD Growth</u> n/a %	<u>Base YTD Growth</u> n/a %
Annual Dollar Values	<u>Final Revenue Estimate</u> \$5.0 Million	<u>Actual YTD Cash</u> n/a	

The Unclaimed Property Transfer to the general fund occurs in June of every fiscal year.



Gary S. Sasse, Director  
Department of Revenue

November 10, 2009,

**STATE OF RHODE ISLAND MONTHLY REVENUE BRIEF**  
**Year To Date Cash Collections**

	<b>FY 2009 October</b>	<b>FY 2010 October</b>	<b>Change</b>	<b>Preliminary Estimate</b>
<b><u>Personal Income Tax</u></b>	322,163,863	307,823,006	-4.5%	2.4%
<b><u>General Business Taxes</u></b>				
Business Corporations	14,897,218	4,566,346	-69.3%	8.2%
Public Utilities Gross Earnings	5,096,813	3,372,579	-33.8%	-9.2%
Financial Institutions	81,241	(219,502)	-370.2%	29.2%
Insurance Companies	(1,269,514)	1,140,463	-189.8%	5.0%
Bank Deposits	-	336,476	-	-4.0%
Health Care Provider Assessment	16,171,471	13,534,668	-16.3%	-21.5%
<b><u>Excise Taxes</u></b>				
Sales and Use	303,511,929	282,580,012	-6.9%	0.9%
Motor Vehicle	11,630,333	11,594,205	-0.3%	5.2%
Motor Fuel	365,555	64,917	-82.2%	-30.6%
Cigarettes	43,636,948	49,559,158	13.6%	13.4%
Alcohol	3,714,360	3,810,931	2.6%	0.8%
Controlled Substances	-	-	-	-
<b><u>Other Taxes</u></b>				
Inheritance and Gift	10,177,881	9,297,353	-8.7%	4.6%
Racing and Athletics	873,142	563,030	-35.5%	-14.3%
Realty Transfer	3,151,025	2,604,894	-17.3%	5.7%
<b>Total Taxes</b>	<b>\$ 734,202,265</b>	<b>\$ 690,628,536</b>	<b>-5.9%</b>	<b>1.8%</b>
<b><u>Departmental Receipts</u></b>				
Licenses and Fees	105,638,974	159,026,093	50.5%	
Fines and Penalties	10,123,485	10,779,003	6.5%	
Sales and Services	4,057,370	10,381,507	155.9%	
Miscellaneous	8,864,685	7,059,148	-20.4%	
<b>Total Departmental Receipts</b>	<b>\$ 128,684,514</b>	<b>\$ 187,245,751</b>	<b>45.5%</b>	<b>5.1%</b>
<b>Taxes and Departmentals</b>	<b>\$ 862,886,779</b>	<b>\$ 877,874,287</b>	<b>1.7%</b>	<b>2.2%</b>
<b><u>Other General Revenue Sources</u></b>				
Gas Tax Transfer	1,563,752	339,473	-78.3%	-100.0%
Other Miscellaneous Revenues	5,493,209	44,495	-99.2%	-49.3%
Lottery Transfer	86,626,518	87,015,864	0.4%	3.3%
Unclaimed Property	-	-	-	-37.8%
<b>Total Other Sources</b>	<b>\$ 93,683,479</b>	<b>\$ 87,399,832</b>	<b>-6.7%</b>	<b>-1.3%</b>
<b>Total General Revenues</b>	<b>\$ 956,570,258</b>	<b>\$ 965,274,119</b>	<b>0.9%</b>	<b>1.8%</b>